

~~BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE~~  
~~FOR THE STATE OF TENNESSEE~~

IN THE MATTER OF:

PARATRANSIT INSURANCE COMPANY,  
A MUTUAL RISK RETENTION GROUP

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No.: 04-047

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**ORDER ADOPTING EXAMINATION REPORT WITH DIRECTIVE**

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Pursuant to Tenn. Code Ann. § 56-1-401, *et seq.* and 56-45-101, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (hereinafter referred to as the "Division") has examined certain affairs of Paratransit Insurance Company, a Mutual Risk Retention Group (hereinafter also referred to as the "Company"), an insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31<sup>st</sup> day of December, 2002, the examiner-in-charge filed with the Division, on the 10<sup>th</sup> day of March, 2004, a verified, written report on examination, and a copy of that report has been sent to Paratransit Insurance Company, a Mutual Risk Retention Group. (The Report on Examination of Paratransit Insurance Company, a Mutual Risk Retention Group, is attached hereto and marked as Exhibit A). The Division received written rebuttal to said examination report from the company on April 14, 2004. (A true and exact copy of the rebuttal to the examination report of Paratransit Insurance Company, a Mutual Risk Retention Group is attached hereto and marked as Exhibit B.)

Pursuant to Tenn. Code Ann. § 56-1-411, said examination report regarding the affairs of Paratransit Insurance Company, a Mutual Risk Retention Group, filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 10<sup>th</sup> day of March, 2004, is hereby **ADOPTED** as filed with the following **DIRECTIVE**:

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**MAY 20 2004**

Dept. Of Commerce & Insurance  
Company Examinations

1. The Company is **DIRECTED** to comply with Tenn. Comp. R. & Regs., ch. 0780-1-46-.04 (1999), by maintaining a custodial agreement that complies with said rule, should the Company choose an authorized method of holding its securities that requires such an agreement.

The company shall comply with the directive contained in this order within thirty (30) days of its entry.

The adoption of this examination report shall not preclude the Department from imposing sanctions against Paratransit Insurance Company, a Mutual Risk Retention Group for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report With Directive merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

ENTERED this the 17th day of May, 2004.

Paula A. Flowers  
Paula A. Flowers, Commissioner  
Department of Commerce and Insurance  
State of Tennessee

**PREPARED FOR ENTRY:**

Eric J. Stansell

Eric J. Stansell (BPR# 021707)

Staff Attorney

Tennessee Department of Commerce and Insurance

500 James Robertson Parkway

Davy Crockett Tower, Fifth Floor

Nashville, Tennessee 37243

(615) 741-2199

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, and Don Spann, Chief Examiner, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Paratransit Insurance Company, a Mutual Risk Retention Group, P.O. Box 1330, Montpelier, Vermont 05601, on this the 19<sup>th</sup> day of May, 2004.

Eric J. Stansell

Eric J. Stansell

Certifying Attorney

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APR 08 2004

Dept. of Commerce & Insurance  
Financial Affairs/Analytical Section

March 29, 2004

Mr. Don Spann, CFE  
Insurance Examination Director  
State of Tennessee  
Department of Commerce and Insurance  
500 James Robertson Parkway – 4<sup>th</sup> Floor  
Nashville, TN 37243

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APR 14 2004

Dept. Of Commerce & Insurance  
Company Examinations

**RE: Paratransit Insurance Company, a Mutual Risk Retention Group**  
**Written responses to comments and recommendations from**  
**The December 31, 2002 examination report**

Dear Mr. Spann:

This letter is in response to the comments and recommendations as reported on the December 31, 2002 examination report, which was received on March 15, 2004. Each comment and recommendation that would require a response will be addressed in the following paragraphs.

- **Review of various checks issued** – Response: The Company will reinforce its adherence to efficient controls by ensuring that there are two signatures on all checks which are \$50,000 or more.
- **Charter and bylaws not in agreement as to the minimum number of directors** – Response: A new amendment to the charter to agree to the bylaws was adopted by the Company on May 21, 2003. This amendment was filed with the Secretary of State in Tennessee with an effective date of January 21, 2004 and an original certified copy was mailed to the Department on March 2, 2004.
- **Completion of Schedule E-Part 2, Special Deposits** – Response: During a review of the December 31, 2002 Annual Statement by the Department back in May 2003, this omission to the Annual Statement was identified. A response by the Company was filed with the Department on July 15, 2003, which enclosed the completed Schedule E-Part 2, Special Deposits as requested. Future Annual Statements will include this completed schedule beginning with the 2003 Annual Statement, which was filed timely to the Department on March 1, 2004.

**EXHIBIT**

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Mr. Don Spann, CFE  
March 29, 2004  
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- **Settlement date vs. trade date being used to record purchases and sales of securities** – Response: The Company has reviewed and tested some purchases and sales of securities for the years 2002 and 2003. The Company does in fact report the purchases and sales using the trade date, rather than the settlement date. According to SSAP No. 26 before Codification, the statutory guideline for the recording of securities was silent with regard to trade date vs. settlement date. The Codification became effective January 1, 2001, which caused bond and stock acquisitions and dispositions, with some exceptions, to be recorded using the trade date. Prior to Codification, the company was recording securities using the settlement date and began using the trade date when Codification became effective.

I trust the above satisfactorily provides you with appropriate explanations to the issues that arose during the Department's examination of the Company's financial condition as stated in the final examination report. If you need further information, please do not hesitate to call me at (800) 872-7475, extension 333.

Sincerely,



Patricia A. Cote, CPA

Account Manager

**USA Risk Group of Vermont, Inc.**

As Managers For

**Paratransit Insurance Company, a Mutual RRG**